

Message Text

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PAGE 01 MADRID 06029 121539Z
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SUBJ: INITIAL CORTES DEBATE ON PROPOSED FISCAL REFORM MEASURES

REF: MADRID 5929

1. MINISTER OF FINANCE FERNANDEZ ORDONEZ PRESENTED THE GOVERNMENT'S DRAFT LAW FOR EMERGENCY FISCAL MEASURES BEFORE THE COMMITTEE ON ECONOMICS AND FINANCE OF THE CORTES ON AUGUST 9 (MADRID 5929). IN ADDITION HE ANNOUNCED THAT THE CENTRAL GOVERNMENT BUDGET FOR 1978 WOULD BE A CONSOLIDATED BUDGET OF THE PUBLIC SECTOR. HE STATED THAT IN THE MEANTIME, HOWEVER, EMERGENCY FISCAL MEASURES MUST BE VIEWED AS THE INITIAL FOUNDATION OF THE GOVERNMENT'S OVERALL ECONOMIC PROGRAM.

2. IN PRESENTING THE FISCAL REFORM MEASURES THEMSELVES, FERNANDEZ ORDONEZ STRESSED THE NEED TO MODERNIZE THE SPANISH TAX SYSTEM BY MAKING IT MORE PROGRESSIVE AND BY IMPROVING COLLECTION OF DIRECT TAXES. HE SAID REFORMS WERE NECESSARY TO MAKE THE SYSTEM MORE EQUITABLE, MORE PRODUCTIVE OF REVENUE, AND MORE USEFUL AS A TOOL OF FISCAL POLICY. THE EMERGENCY REFORMS ARE TO BE PROPOSED
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PAGE 02 MADRID 06029 121539Z

TO THE CORTES BY THE END OF SEPTEMBER, WITH FURTHER PROPOSALS OF A LESS URGENT NATURE TO FOLLOW AT THE END OF NOVEMBER.

3. IN AN ENSUING FOUR HOURS OF QUESTIONS AND DEBATE, WIDELY REPORTED IN THE PRESS, SPOKESMEN FOR ALL OF THE MAJOR OPPOSITION PARTIES EXPRESSED INITIAL REACTIONS TO

THE PROPOSALS. THE HIGHLIGHTS OF THE DEBATE FOLLOW:

4. PSOE MEMBERS TOOK PAINS TO EMPHASIZE LIKENESS OF THE PROPOSED MEASURES TO THOSE ADVOCATED BY THEIR OWN PARTY. AT THE SAME TIME, THEY STRESSED THAT THE ACCEPTABLENESS OF THE GOVERNMENT'S PROPOSALS DEPENDED HEAVILY ON THE PLACE THEY ASSUMED IN A BROADER ECONOMIC PROGRAM. THE PARTY SPOKESMEN EMPHASIZED THAT NO REAL EVALUATION OF THE FISCAL REFORM MEASURES COULD BE MADE UNTIL SPECIFICS OF THE REST OF THE PLAN WERE PRESENTED.

5. RAMON TAMAMES, SPEAKING FOR THE PCE, TOOK THE OPPORTUNITY TO ATTACK EMERGING GOVERNMENT POLICY AS DESTRUCTIVE OF WORKING CLASS INTERESTS. HE CONTENDED THAT SALARIED WORKERS WOULD CLEARLY BEAR THE BURDEN OF THE NEW TAXES. HE ALSO CRITICIZED THE JUNE DEVALUATION, SAYING IT REDUCED LABOR INCOME BY RAISING THE PRICES OF IMPORTED CONSUMER GOODS. FINALLY, HE REITERATED PAST PCE STATEMENTS THAT A SOLELY-UCD GOVERNMENT WOULD NOT BE ABLE TO MARSHALL THE SOCIAL CONSENSUS NECESSARY TO CARRY FORWARD NECESSARY ECONOMIC MEASURES AND THAT ONLY A "CABINET OF NATIONAL CONCENTRATION" - PRESUMABLY INCLUDING LEFTIST PARTICIPATION - COULD DO SO.

6. ON THE RIGHT, ALIANZA POPULAR QUESTIONED THE NEED AND EFFICACY OF FISCAL REFORM. SAYING THAT IT SHOULD LIMITED OFFICIAL USE

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PAGE 03 MADRID 06029 121539Z

BE REALIZED THAT FISCAL REFORM IS NO MORE THAN A SIMPLE INCREASE OF TAXES, ONE AP MEMBER SAID THAT IN CALLING FOR "AUSTERITY" THE GOVERNMENT SHOULD BE SETTING AN EXAMPLE - NOT INCREASING THE SCOPE OF ITS OWN ACTIVITIES. FORMER MINISTER OF PLANNING LOPEZ RODO QUESTIONED WHETHER FISCAL REFORM HAD A CONTRIBUTION TO MAKE TOWARD SOLVING WHAT HE SAW AS THE COUNTRY'S FUNDAMENTAL ECONOMIC PROBLEMS OF INFLATION AND UNEMPLOYMENT.

7. COMMENT: ONE MADRID PAPER HEADLINED ITS STORY ON THE CORTES DEBATE, "FISCAL REFORM: NEITHER ENTHUSIASM NOR REAL CRITICISM"-- SEEMINGLY AN ACCURATE ASSESSEMENT OF THE INITIAL REACTION. EACH OF THE PARTIES CONTINUED TO EMPHASIZE A "WAIT AND SEE" ATTITUDE - FOREGOING CRITICISM OF THE SPECIFIC PROPOSALS IN FAVOR OF ATTENTION TO THE SHAPE THAT THE BROADER ECONOMIC PROGRAM MIGHT TAKE. THIS SUGGESTS THAT NO PARTY FOUND GROUNDS FOR PARTICULAR OBJECTION TO THE GOVERNMENT'S PROPOSALS. AT THE SAME TIME, THE PARTIES' UNWILLINGNESS TO IN ANYWAY ENDORSE THE MEASURES INDICATES THE CONTINUING UNLIKELIHOOD THAT THE GOVERNMENT CAN INDUCE ITS OPPOSITION TO JOIN IN MOLDING A CONSENSUS ECONOMIC

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